

Message Text

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PAGE 01 STATE 148752
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FM SECSTATE WASHDC
TO AMEMBASSY NEW DELHI

C O N F I D E N T I A L STATE 148752

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E.O. 11652: N/A

TAGS: EAGR

SUBJECT: PEANUT OIL: BACKGROUND INFORMATION ON U.S. POLICY
ON EXPORT SUBSIDIES
FOR AMBASSADOR
REF (A) STATE 148751 (B) NEW DELHI 8656 (C) NEW DELHI
8130 (D) STATE 134959

1. THIS MESSAGE IS TO PROVIDE YOU WITH ADDITIONAL BACKGROUND
INFORMATION ON U.S. POLICY REGARDING EXPORT SUBSIDIES. THIS
ISSUE HAS IMPORTANT TRADE POLICY IMPLICATIONS FOR THE UNITED
STATES WHICH GO WELL BEYOND THE QUESTION OF SUBSIDIZED OIL
FOR INDIA.

2. IN HIS PRESS CONFERENCE OF FEBRUARY 25, SECRETARY
BERGLAND REAFFIRMED THAT A MAJOR NEGOTIATING OBJECTIVE OF
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PAGE 02 STATE 148752

THE UNITED STATES IS THE REDUCTION OR ELIMINATION OF
SUBSIDIZED AGRICULTURAL EXPORTS, PARTICULARLY BY THE
EUROPEAN COMMUNITY. TO THIS END, WE ARE WORKING TOWARD AN
INTERNATIONAL CODE ON SUBSIDIES IN THE CURRENT MULTILATERAL
TRADE NEGOTIATIONS, AND WE ARE OPTIMISTIC THAT OUR EFFORTS
WILL BEAR FRUIT. UNDER THE CRITERIA OF A DRAFT CODE WHICH
WE SUBMITTED IN 1976, THE PROPOSED SALE OF PEANUT OIL FROM

CCC STOCKS AT WORLD PRICES WOULD BE PROHIBITED.

3. WE HAVE ALSO HAD A SERIES OF SPECIFIC BILATERAL DIS-
AGREEMENTS OVER A PERIOD OF SEVERAL YEARS, CHIEFLY WITH
THE EC, OVER EXACTLY THE SORT OF SUBSIDIZED SALE THAT
THE INDIANS NOW WISH US TO MAKE.

4. THEREFORE, NEITHER STATE, TREASURY, NOR STR HAS BEEN
WILLING TO APPROVE OF A SUBSIDIZED COMMERCIAL SALE.
AS NOTED REF A, THE POSSIBILITY OF GETTING OMB TO GO ALONG
WITH A BUDGET INCREASE TO ALLOW SALE UNDER THE PL 480
PROGRAM IN F7 IS REMOTE. THIS DOES NOT MEAN THAT WE ARE
INSENSITIVE TO THE ARGUMENTS IN REFS B AND C, MANY OF
WHICH ARE WELL TAKEN. HOWEVER, MAINTAINING OUR POSITION
ON A MAJOR TRADE POLICY QUESTION REQUIRES THAT WE NOT
ACCEPT INDIAN REQUEST FOR REDUCED PRICE CCC PEANUT OIL
IN ORDER TO MEET WHAT APPEARS TO BE REAL YET SHORT TERM
SUPPLY PROBLEM.
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